

GMG
COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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GMG COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September, 2007 Election)

Merle Applegate	President	2007
Linda Havelka	Vice President	2008
Rick Landt		2007
Kathy Beane		2007
Jim Fleming		2008
Kevin Bovenmeyer		2009
Allen Burt		2009

(After September, 2007 Election)

Linda Havelka	President	2008
Kathy Beane	Vice President	2010
Merle Applegate		2010
Rick Landt		2010
Jim Fleming		2008
Kevin Bovenmeyer		2009
Allen Burt		2009

School Officials

Michael Ashton	Superintendent
Deb Stahl	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

To the Board of Education of
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District, Garwin, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of GMG Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2009 on our consideration of GMG Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

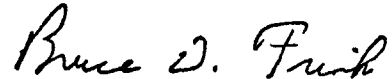
Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GMG Community School District's basic financial statements. The financial statements for the four years ended June 30, 2007 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

BRUCE D. FRINK
Certified Public Accountant

March 28, 2009

GMG COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

GMG Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$3,900,955 in fiscal 2007 to \$3,963,889 in fiscal 2008, (a two percent increase) while General Fund expenditures increased from \$3,866,751 in fiscal 2007 to \$3,898,160 in fiscal 2008 (a one percent increase).
- The increase in General Fund revenues was primarily attributable to increases in tuition revenue. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The General Fund balance increased due to additional revenues and cost containment measures.
- The School Infrastructure Local Option Sales Tax passed in 2004. The District began receiving these funds in September 2004. These monies are being used for improvements to district facilities. This tax allows the District to update its facilities for an expanding enrollment without raising property taxes.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of GMG Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report GMG Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which GMG Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GMG Community School District Annual Financial Report

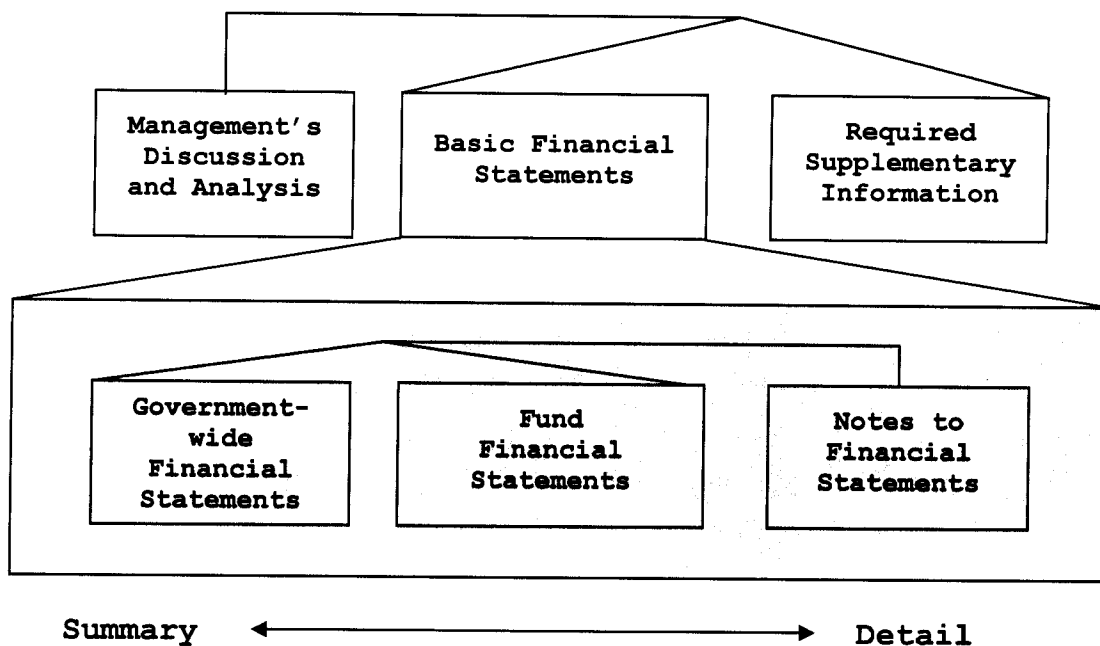


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- *Agency Funds* - These are funds through which the District administers and accounts for funds from the Kienzle Farm.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current assets	\$ 3,857	3,921	42	42	3,899	3,963	-1.64%
Capital assets	4,014	4,052	50	60	4,064	4,112	-1.18%
Total assets	7,871	7,973	92	102	7,963	8,075	-1.41%
Current liabilities	2,329	2,623	13	13	2,342	2,636	-12.55%
Non-current liabilities	2,791	3,003	-	-	2,791	3,003	-7.60%
Total liabilities	5,120	5,626	13	13	5,133	5,639	-9.86%
Net Assets							
Invested in capital assets, net of related debt	1,223	1,051	50	60	1,273	1,111	12.73%
Restricted	528	421	-	-	528	421	20.27%
Unrestricted	1,000	875	29	29	1,029	904	12.15%
Total net assets	\$ 2,751	2,347	79	89	2,830	2,436	13.92%

Combined net assets grew as a result of the District's increase in capital assets. The District has taken advantage of the local option sales tax to expand its facilities in recent years. Unrestricted assets grew due to the District finding additional non-property tax revenues as well as cost containment measures.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2008	2007	2008	2007	2008	2007	2007-08	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 920	944	108	104	1,028	1,048	-1.91%
Operating grants, contributions and restricted interest	670	461	97	97	767	558	37.46%
General revenues:							
Property tax	1,594	1,606	-	-	1,594	1,606	-0.75%
Income surtax	131	94	-	-	131	94	39.36%
Local option sales tax	199	219	-	-	199	219	-9.13%
Unrestricted state grants	1,227	1,254	-	-	1,227	1,254	-2.15%
Unrestricted investment earnings	48	74	-	-	48	74	-35.14%
Other	27	39	-	-	27	39	-30.77%
Total revenues	<u>4,816</u>	<u>4,691</u>	<u>205</u>	<u>201</u>	<u>5,021</u>	<u>4,892</u>	<u>2.64%</u>
Program expenses:							
Governmental activities:							
Instruction	2,838	2,749	-	-	2,838	2,749	3.24%
Support Services	1,024	1,235	-	-	1,024	1,235	-17.09%
Non-instructional programs	-	6	214	214	214	220	-2.73%
Other expenses	551	455	-	-	551	455	21.10%
Total expenses	<u>4,413</u>	<u>4,445</u>	<u>214</u>	<u>214</u>	<u>4,627</u>	<u>4,659</u>	<u>-0.69%</u>
Change in net assets	<u>\$ 403</u>	<u>246</u>	<u>(9)</u>	<u>(13)</u>	<u>394</u>	<u>233</u>	<u>69.10%</u>

Property tax and unrestricted state grants account for 56% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 83% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$4,816,402 and expenses were \$4,412,825.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
2008	2007	2007-08	2008	2007	2007-08	
Instruction	\$ 2,838	2,749	3.24%	1,396	1,463	-4.58%
Support Services	1,024	1,235	-17.09%	1,001	1,234	-18.88%
Noninstructional Programs	-	6	-100.00%	-	6	-100.00%
Other expenses	551	455	21.10%	425	337	26.11%
Totals	\$ 4,413	4,445	-0.72%	2,822	3,040	-7.17%

- The cost financed by users of the District's programs was \$920,348.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$408,264.
- The net cost of governmental activities was financed with \$1,593,751 in property tax, and \$1,226,976 in state foundation aid.

Business-Type Activities

Revenues of the District's business type activities were \$204,404 and expenses were \$214,209. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted GMG Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,417,301, a forty-one percent increase over last year's ending fund balances of \$1,216,078.

Governmental Fund Highlights

- The District's General Fund balance increased as a result of increased tuition revenues and cost containment measures. Allowable growth of 4% is inadequate to keep up with increasing enrollment requirements.
- The District continues to expand its facilities primarily through the use of local option sales tax revenues.
- The District's open enrollment in has continued to increase. This will allow the District to continue to grow.

Proprietary Fund Highlights

The School Nutrition fund decreased during the year by 11%.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 32 and 33. The District exceeded the budgeted amounts in the other expenditures and non-instructional programs functions. It also did not exceed its statutory spending authority.

Legal Budgetary Highlights

The District's receipts were over \$238,000 greater than budgeted receipts, a variance of 5%. The variance resulted from the District receiving more miscellaneous revenue than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. The District then manages or controls spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$4.0 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 38% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$685,491.

The original cost of the District's capital assets was \$7,759,457. Governmental funds account for \$7,630,617, with the remainder of \$128,840 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 55	55	-	-	55	55	0.00%
Buildings	3,784	3,875	-	-	3,784	3,875	-2.35%
Furniture and equipment	175	122	50	60	225	182	23.63%
Totals	\$ 4,014	4,052	50	60	4,064	4,112	-1.17%

Long-Term Debt

At June 30, 2008, the District had \$3,002,000 in general obligation and revenue bonds. This represents a decrease of approximately 7% from last year (See Figure A-7). Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 2,585	2,760	-6.34%
Early retirement	-	2	-100.00%
Revenue bonds	206	240	-14.17%
Total	\$ 2,791	3,002	-7.03%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The SILO tax was passed and money began to be received by the District in July of 2004. This money is being used for various building/remodeling projects and property tax relief throughout the District.
- The District has experienced increasing open enrollment in over the past several years. This allows the District to provide programs without increasing property taxes.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Deb Stahl, District Secretary, GMG Community School District, 306 Park St, Garwin, IA 50632.

Basic Financial Statements

GMG COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	Governmental Activities	Business Type Activities School Nutrition	Total
Assets			
Cash and pooled investments	\$ 1,552,227	28,008	1,580,235
ISCAP investments	304,461	-	304,461
Receivables:			
Property tax			
Current year	24,163	-	24,163
Succeeding year	1,646,658	-	1,646,658
Income surtax - succeeding year	121,482	-	121,482
Due from other governments	207,783	-	207,783
ISCAP accrued interest receivable	115	-	115
Inventories	-	14,776	14,776
Capital assets, net of accumulated depreciation	4,014,273	49,699	4,063,972
Total assets	\$ 7,871,162	92,483	7,963,645
Liabilities			
Accrued payroll and benefits	364,153	13,110	377,263
Accrued interest payable	10,543	-	10,543
ISCAP unamortized premium	5,179	-	5,179
ISCAP warrants payable	302,000	-	302,000
ISCAP accrued interest payable	116	-	116
Unearned revenues	-	408	408
Deferred revenue:			
Succeeding year property tax	1,646,658	-	1,646,658
Long term liabilities:			
Portion due within one year:			
General obligation bonds	185,000	-	185,000
Revenue bonds	34,375	-	34,375
Portion due after one year:			
General obligation bonds	2,400,000	-	2,400,000
Revenue bonds	171,875	-	171,875
Total liabilities	5,119,899	13,518	5,133,417
Net Assets			
Invested in capital assets, net of related debt	1,223,023	49,699	1,272,722
Restricted for:			
Management levy	77,327	-	77,327
Debt service	12,526	-	12,526
Physical plant and equipment levy	90,671	-	90,671
Capital projects	347,971	-	347,971
Unrestricted	999,745	29,266	1,029,011
Total net assets	\$ 2,751,263	78,965	2,830,228

See notes to financial statements.

CMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction:	\$ 2,838,405	920,348	521,576	(1,396,481)	-	(1,396,481)
Support services:						
Student services	1,432	-	-	(1,432)	-	(1,432)
Instructional staff services	121,705	-	-	(121,705)	-	(121,705)
Administration services	462,626	-	-	(462,626)	-	(462,626)
Operation and maintenance of plant services	279,101	-	22,354	(256,747)	-	(256,747)
Transportation services	158,749	-	-	(158,749)	-	(158,749)
	1,023,613	-	22,354	(1,001,259)	-	(1,001,259)
Non-instructional programs	1	-	-	(1)	-	(1)
Other expenditures:						
Facilities acquisition	158,653	-	6,772	(151,881)	-	(151,881)
Interest on long-term debt	133,813	-	-	(133,813)	-	(133,813)
Service fees on long-term debt	400	-	-	(400)	-	(400)
AEA flowthrough	119,335	-	119,335	-	-	-
Depreciation (unallocated) *	138,605	-	-	(138,605)	-	(138,605)
	550,806	-	126,107	(424,699)	-	(424,699)
Total governmental activities	4,412,825	920,348	670,037	(2,822,440)	-	(2,822,440)

CMG COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2008

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	214,209	107,662	96,742	(9,805)
Total	\$ 4,627,034	1,028,010	766,779	(2,832,245)
General Revenues:				
Property tax levied for:				
General purposes				1,109,718
Management Fund				65,973
Capital outlay				103,545
Debt service				314,515
Income surtax				131,370
School Infrastructure Local Option Sales Tax				198,675
Unrestricted state grants				1,226,976
Unrestricted investment earnings				48,425
Other				26,820
Total general revenues			3,226,017	3,226,017
Change in net assets				(9,805)
Net assets beginning of year			403,577	393,772
Net assets end of year			2,347,686	2,436,456
			\$ 2,751,263	2,830,228

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2008

	<u>General</u>	<u>Physical Plant and Equipment Levy</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Assets						
Cash and pooled investments	\$ 1,066,174	89,101	7,757	286,242	102,953	1,552,227
ISCAP investments	304,461	-	-	-	-	304,461
Receivables:						
Property tax:						
Current year	16,824	1,570	4,769	-	1,000	24,163
Succeeding year	1,141,992	107,751	311,915	-	85,000	1,646,658
Income surtax - succeeding year	121,482	-	-	-	-	121,482
Due from other governments	146,054	-	-	61,729	-	207,783
ISCAP accrued interest	115	-	-	-	-	115
Total assets	<u>\$ 2,797,102</u>	<u>198,422</u>	<u>324,441</u>	<u>347,971</u>	<u>188,953</u>	<u>3,856,889</u>
Liabilities and Fund Balances						
Liabilities:						
Accrued payroll and benefits	\$ 364,153	-	-	-	-	364,153
ISCAP unamortized premium	5,179	-	-	-	-	5,179
ISCAP warrants payable	302,000	-	-	-	-	302,000
ISCAP accrued interest payable	116	-	-	-	-	116
Deferred revenue:						
Succeeding year property tax	1,141,992	107,751	311,915	-	85,000	1,646,658
Succeeding year income surtax	121,482	-	-	-	-	121,482
Total liabilities	<u>1,934,922</u>	<u>107,751</u>	<u>311,915</u>	<u>-</u>	<u>85,000</u>	<u>2,439,588</u>
Fund balances:						
Reserved for:						
Debt service	-	-	12,526	-	-	12,526
Capital projects	-	-	-	347,971	-	347,971
Unreserved	862,180	90,671	-	-	103,953	1,056,804
Total fund balances	<u>862,180</u>	<u>90,671</u>	<u>12,526</u>	<u>347,971</u>	<u>103,953</u>	<u>1,417,301</u>
Total liabilities and fund balances	<u>\$ 2,797,102</u>	<u>198,422</u>	<u>324,441</u>	<u>347,971</u>	<u>188,953</u>	<u>3,856,889</u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2008

Total fund balances of governmental funds (Exhibit C)			\$ 1,417,301
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Income surtax receivable at June 30, 2008 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.			121,482
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.			4,014,273
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.			(10,543)
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.			
General obligation bonds	\$ (2,585,000)		
Revenue bonds	<u>(206,250)</u>	<u>(2,791,250)</u>	
Net assets of governmental activities (Exhibit A)			<u>\$ 2,751,263</u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:						
Local sources:						
Local tax	\$ 1,213,358	103,545	314,515	198,675	65,973	1,896,066
Tuition	910,556	-	-	-	-	910,556
Other	85,400	8,132	-	6,772	127,171	227,475
State sources	1,637,262	-	-	-	-	1,637,262
Federal sources	117,313	-	-	-	-	117,313
Total revenues	3,963,889	111,677	314,515	205,447	193,144	4,788,672
Expenditures:						
Instruction:	2,690,653	-	-	-	150,222	2,840,875
Support services:						
Student services	1,432	-	-	-	-	1,432
Instructional staff services	121,705	-	-	-	-	121,705
Administration services	458,046	-	-	-	4,580	462,626
Operation and maintenance of plant services	292,569	-	-	-	21,215	313,784
Transportation services	214,419	-	-	-	10,368	224,787
	1,088,171	-	-	-	36,163	1,124,334
Non-instructional programs:						
Community service and education	1	-	-	-	-	1

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2008

	General	Physical Plant and Equipment Levy	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Other expenditures:						
Facilities acquisition and construction services	-	79,136	-	79,517	-	158,653
Principal on long-term debt	-	-	209,375	-	-	209,375
Interest on long-term debt	-	-	134,476	-	-	134,476
Services on long-term debt	-	-	400	-	-	400
AEA flowthrough	119,335	-	-	-	-	119,335
	<u>119,335</u>	<u>79,136</u>	<u>344,251</u>	<u>79,517</u>	<u>-</u>	<u>622,239</u>
Total expenditures	<u>3,898,160</u>	<u>79,136</u>	<u>344,251</u>	<u>79,517</u>	<u>186,385</u>	<u>4,587,449</u>
Excess (deficiency) of revenues over (under) expenditures	<u>65,729</u>	<u>32,541</u>	<u>(29,736)</u>	<u>125,930</u>	<u>6,759</u>	<u>201,223</u>
Other financing sources:						
Operating transfers in	-	-	34,375	-	-	34,375
Operating transfers out	-	-	-	(34,375)	-	(34,375)
Total other financing sources	<u>-</u>	<u>-</u>	<u>34,375</u>	<u>(34,375)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	65,729	32,541	4,639	91,555	6,759	201,223
Fund balances beginning of year	<u>796,451</u>	<u>58,130</u>	<u>7,887</u>	<u>256,416</u>	<u>97,194</u>	<u>1,216,078</u>
Fund balances end of year	<u>\$ 862,180</u>	<u>90,671</u>	<u>12,526</u>	<u>347,971</u>	<u>103,953</u>	<u>1,417,301</u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2008

Net change in fund balances - total governmental funds (Exhibit E) \$ 201,223

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities 27,730

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 100,721	
Depreciation expense	<u>(138,605)</u>	(37,884)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:

Repaid	209,375
--------	---------

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is reported as an expenditure in the funds when due. In the Statement of Activities, interest expense is recorded as the interest accrues, regardless of when it is due. 663

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement additions	(15,416)	
Early retirement payments	<u>17,886</u>	<u>2,470</u>

Change in net assets of governmental activities (Exhibit B) \$ 403,577

GMG COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for services	\$ 107,662
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	67,325
Benefits	25,844
Services	2,066
Supplies	108,670
Depreciation	10,304
Total operating expenses	<u>214,209</u>
Operating (loss)	<u>(106,547)</u>
Non-operating revenues:	
Interest on investments	96
State sources	2,795
Federal sources	93,851
	<u>96,742</u>
Change in net assets	(9,805)
Net assets beginning of year	<u>88,770</u>
Net assets end of year	<u>\$ 78,965</u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of services	\$ 107,662
Cash payments to employees for services	(92,897)
Cash payments to suppliers for goods or services	<u>(97,362)</u>
Net cash provided by (used in) operating activities	<u>(82,597)</u>
Cash flows from non-capital financing activities:	
State grants received	2,795
Federal grants received	<u>77,782</u>
Net cash provided by non-capital financing activities	<u>80,577</u>
Cash flows from investing activities:	
Interest on investments	<u>96</u>
Net increase in cash and cash equivalents	(1,924)
Cash and cash equivalents beginning of year	<u>29,932</u>
Cash and cash equivalents end of year	<u>\$ 28,008</u>
Reconciliation of operating income (loss) to net cash used in operating activities:	
Operating income (loss)	\$ (106,547)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:	
Depreciation	10,304
Commodities used	16,069
(Increase) in inventory	(2,695)
Increase in accrued salary and benefits	<u>272</u>
	<u>\$ (82,597)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$16,069.

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2008

	<u>Agency</u>
Assets	
Cash	\$ 1,802
Land	<u>111,650</u>
Total assets	<u>113,452</u>
 Liabilities	
Other payables	<u>113,452</u>
Total liabilities	<u>113,452</u>
Net assets	<u><u>\$ -</u></u>

See notes to financial statements.

GMG COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

GMG Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors summer recreational activities. The geographic area served includes the Cities of Garwin and Green Mountain, Iowa, and agricultural area in Marshall and Tama Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, GMG Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. GMG Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama and Marshall County Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2007.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	2,000
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2008.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ending June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the budget amounts.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments in at June 30, 2008.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 54,500	-	-	54,500
Capital assets being depreciated:				
Buildings	6,515,467	-	-	6,515,467
Furniture and Equipment	959,929	100,721	-	1,060,650
Total capital assets being depreciated	7,475,396	100,721	-	7,576,117
Less accumulated depreciation for:				
Buildings	2,639,953	90,910	-	2,730,863
Furniture and Equipment	837,786	47,695	-	885,481
Total accumulated depreciation	3,477,739	138,605	-	3,616,344
Total capital assets being depreciated, net	3,997,657	(37,884)	-	3,959,773
Governmental activities, capital assets, net	\$ 4,052,157	(37,884)	-	4,014,273

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business type activities:				
Furniture and equipment	\$ 128,840	-	-	128,840
Less accumulated depreciation	<u>68,837</u>	<u>10,304</u>	-	<u>79,141</u>
Business type activities capital assets, net	<u>\$ 60,003</u>	<u>(10,304)</u>	-	<u>49,699</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Unallocated \$ 138,605

Business Type activities:

Food service operations \$ 10,304

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Early Retirement	General Obligation Bonds	Revenue Bonds	Total
Balance beginning of year	\$ 2,470	2,760,000	240,625	3,003,095
Additions	15,416	-	-	15,416
Reductions	<u>17,886</u>	<u>175,000</u>	<u>34,375</u>	<u>227,261</u>
Balance end of year	<u>\$ -</u>	<u>2,585,000</u>	<u>206,250</u>	<u>2,791,250</u>

Revenue Bonds Payable

On September 11, 2006, the District issued revenue bonds for energy improvements. The revenue bond bears no interest for the duration of the repayments. The revenue bonds will be repaid using Local Option Sales and Services Tax collected in the Capital Projects Fund. Current year collections of \$198,675 are more than sufficient to cover the annual payment of \$34,375. Details of the District June 30, 2008 revenue bond indebtedness are as follows:

	Bond issue dated September 11, 2006
Year Ending June 30,	Principal
2009	\$34,375
2010	34,375
2011	34,375
2012	34,375
2013	34,375
2014	<u>34,375</u>
Total	<u>\$206,250</u>

General Obligation Bonds Payable

Details of the District's June 30, 2008 general obligation bonded as follows:

Year Ending June 30,	Bond Issue of July 1, 1999			
	Rates	Principal	Interest	Total
2009	4.65%	\$ 185,000	126,515	311,515
2010	4.70	195,000	117,939	312,939
2011	4.75	205,000	108,748	313,748
2012	4.80	215,000	99,010	314,010
2013	4.85	220,000	88,690	308,690
2014	4.85	230,000	78,020	308,020
2015	4.90	245,000	66,750	311,750
2016	5.00	255,000	54,500	309,500
2017	5.00	265,000	41,750	306,750
2018	5.00	280,000	28,500	308,500
2019	5.00	290,000	14,500	304,500
Total		<u>\$2,585,000</u>	<u>824,922</u>	<u>3,409,922</u>

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, classified employees and administrative staff. Eligible employees must have completed seventeen or fifteen years of service to the District in order to qualify for supplemental benefits. Employees desiring to elect early retirement under this program must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is on the "per diem" basis based on the current contract at the time of retirement. "Per Diem" is defined as per day pay based upon contract days and annual salary. Early retirement benefits paid during the year ended June 30, 2008 totaled \$17,886.

(5) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa Schools Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period.

ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP as of June 30, 2008 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investment	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2008-09A	6/25/08	6/25/09	<u>\$304,461</u>	<u>115</u>	<u>302,000</u>	<u>116</u>	<u>5,179</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts, and must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008.

The warrants bear an interest rate and the proceeds of the warrants are invested at an interest rate as shown below:

<u>Series</u>	<u>Interest Rates on Warrants</u>	<u>Interest Rates on Investments</u>
2008-09A	3.500%	3.469%

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll, for the year ending June 30, 2008. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$145,876, \$126,503, and \$124,076 respectively, equal to the required contributions for each year.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$119,335 for year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Interfund Transfers

The detail of Interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$34,375</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(10) Restatement of Beginning Balances

Land value of \$111,650 was determined to be included in the financial statements of the District - Agency Funds - Kienzle Farm. The balance as of July 1, 2007 is also shown. Schedule 4 shows the beginning balances as restated.

	<u>Cash</u>	<u>Land</u>	<u>Total</u>
Kienzle Farm	<u>\$1,861</u>	<u>111,650</u>	<u>113,511</u>

Required Supplementary Information

GMG COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 3,034,097	107,758	3,141,855	2,864,757	2,864,757	277,098
State sources	1,637,262	2,795	1,640,057	1,669,028	1,669,028	(28,971)
Federal sources	117,313	93,851	211,164	221,000	221,000	(9,836)
Total revenues	4,788,672	204,404	4,993,076	4,754,785	4,754,785	238,291
Expenditures:						
Instruction	2,840,875	-	2,840,875	2,965,000	2,965,000	124,125
Support services	1,124,334	-	1,124,334	1,199,000	1,199,000	74,666
Non-instructional programs	1	214,209	214,210	200,000	200,000	(14,210)
Other expenditures	622,239	-	622,239	578,324	578,324	(43,915)
Total expenditures	4,587,449	214,209	4,801,658	4,942,324	4,942,324	140,666
Excess (deficiency) of revenues over (under) expenditures	201,223	(9,805)	191,418	(187,539)	(187,539)	378,957
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	201,223	(9,805)	191,418	(187,539)	(187,539)	378,957
Balance beginning of year	1,216,078	88,770	1,304,848	1,345,636	1,345,636	(40,788)
Balance end of year	\$ 1,417,301	78,965	1,496,266	1,158,097	1,158,097	338,169

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2008, expenditures in the non-instructional programs and other expenditures functions exceeded the budgeted amounts. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

GMG COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2008

	Management Levy	Student Activity	Total
Assets			
Cash and pooled investments	\$ 76,327	26,626	102,953
Property tax receivable:			
Current year	1,000	-	1,000
Succeeding year	85,000	-	85,000
Total assets	<u>\$ 162,327</u>	<u>26,626</u>	<u>188,953</u>
Liabilities and Fund Balance			
Liabilities:			
Deferred revenue:			
Succeeding year property tax	\$ 85,000	-	85,000
	<u>85,000</u>	<u>-</u>	<u>85,000</u>
Fund balance:			
Unreserved fund balance	<u>77,327</u>	<u>26,626</u>	<u>103,953</u>
	<u>77,327</u>	<u>26,626</u>	<u>103,953</u>
Total liabilities and fund balance	<u>\$ 162,327</u>	<u>26,626</u>	<u>188,953</u>

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2008

	Management Levy	Student Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 65,973	-	65,973
Other	14,222	112,949	127,171
State sources	-	-	-
Total revenues	<u>80,195</u>	<u>112,949</u>	<u>193,144</u>
Expenditures:			
Instruction:	46,211	104,011	150,222
Support services:			
Student support services	-	-	-
Instructional staff support	-	-	-
Administration services	4,580	-	4,580
Plant operation and maintenance	21,215	-	21,215
Student transportation	10,368	-	10,368
Other expenditures:			
Facilities acquisition and construction	-	-	-
Total expenditures	<u>82,374</u>	<u>104,011</u>	<u>186,385</u>
Excess (deficiency) of revenues over (under) expenditures	(2,179)	8,938	6,759
Fund balances beginning of year	<u>79,506</u>	<u>17,688</u>	<u>97,194</u>
Fund balances end of year	<u>\$ 77,327</u>	<u>26,626</u>	<u>103,953</u>

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2008

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Drama	\$ 1,126	1,280	1,132	1,274
Vocal	1,149	175	133	1,191
Band	107	290	397	-
HS Cheerleading	(1,091)	10,735	8,321	1,323
Future Teachers	35	150	9	176
Spanish Club	-	320	320	-
Class of 2008	1,670	449	2,119	-
Class of 2009	1,664	11,077	10,198	2,543
Class of 2010	397	1,217	200	1,414
Class of 2012	-	46	46	-
Interest	(51)	123	72	-
SH Student Council	280	20,518	20,798	-
JH Student Council	590	87	75	602
National Honor Society	994	2,251	2,266	979
Yearbook	(9,841)	8,286	10,137	(11,692)
Athletics	15,605	42,939	38,141	20,403
Dance Team	2,867	7,782	5,955	4,694
HS SADD	495	3,008	3,196	307
Volleyball	1,608	-	-	1,608
Elementary	9	2,216	496	1,729
Elementary Student Council	75	-	-	75
Totals	\$ 17,688	112,949	104,011	26,626

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities
Agency Fund

Year ended June 30, 2008

Account	Balance Beginning of Year (as restated)	Additions	Deductions	Balance End of Year
Kienzle Farm	\$ 113,511	9,091	9,150	113,452

See accompanying independent auditor's report.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Five Years

	Modified Accrual Basis				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 1,896,066	1,921,034	1,714,967	1,716,960	1,639,511
Tuition	910,556	823,345	715,953	560,856	514,681
Other	227,475	233,166	293,939	159,301	178,438
State sources	1,637,262	1,598,542	1,664,396	1,560,545	1,447,237
Federal sources	117,313	116,480	120,997	124,088	126,711
Total	<u>\$ 4,788,672</u>	<u>4,692,567</u>	<u>4,510,252</u>	<u>4,121,750</u>	<u>3,906,578</u>
Expenditures:					
Instruction	\$ 2,840,875	2,747,632	2,591,270	2,464,777	2,336,123
Support services:					
Student	1,432	-	-	-	-
Instructional staff	121,705	135,500	105,812	108,056	128,468
Administration	462,626	486,484	452,913	426,146	420,295
Operation and maintenance of plant	313,784	362,544	306,398	304,610	299,448
Transportation	224,787	227,957	229,965	183,904	147,865
Central Support	-	-	-	8,006	11,193
Noninstructional programs					
Community service operation	1	6,407	2,400	-	-
Other expenditures:					
Facilities acquisition	158,653	218,476	515,390	211,660	170,629
Debt Service					
Principal	209,375	204,375	160,000	150,000	145,000
Interest and service charges	134,876	143,208	152,807	161,808	170,408
AEA flowthrough	119,335	117,271	114,952	112,048	110,391
Total	<u>\$ 4,587,449</u>	<u>4,649,854</u>	<u>4,631,907</u>	<u>4,131,015</u>	<u>3,939,820</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the
GMG Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of GMG Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 28, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered GMG Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of GMG Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of GMG Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and to also be a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects GMG Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of GMG Community School District's financial statements that is more than inconsequential will not be prevented or detected by GMG Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by GMG Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item 08-I-A is a material weakness.

Compliance and Other Matters

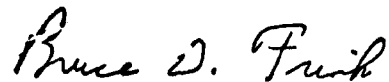
As part of obtaining reasonable assurance about whether GMG Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

GMG Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit GMG Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of GMG Community School District and other parties to whom GMG Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of GMG Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 28, 2009

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

08-I-A Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response acknowledged.

Part II: Other Findings Related to Required Statutory Reporting:

08-II-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2008.

08-II-B Certified Budget - Expenditures for the year ended June 30, 2008 exceeded the amended certified budget amounts in the non-instructional and other expenditure programs functions.

Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion - Response accepted.

08-II-C Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

08-II-D Business Transactions - No Business transactions between the District and District officials or employees were noted.

08-II-E Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued) :

08-II-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

08-II-G Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

08-II-H Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

08-II-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

08-II-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.

08-II-K Financial Condition - The District had accounts in the Student Activity Fund with deficit balances at June 30, 2008.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - We are monitoring the fund and are working to eliminate the deficit balances.

Conclusion - Response accepted.

08-II-L Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the District to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The District retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

Recommendation - The District should obtain and retain an image of both the front and back of each cancelled check as required for record retention.

Response - The bank will be notified that we need images of the front and back of each cancelled check.

Conclusion - Response accepted.

GMG COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:
(continued):

08-II-M Payment of Employees - We noted that the District does not include payments to employees for officiating and other non-contract duties in their payroll, rather they are paid as independent contractors. The Internal Revenue Service considers all payments to employees, other than reimbursement of expense, to be income subject to Federal Income Tax, Social Security and Medicare. This position is also that of the Department of Management and Department of Education. They are not, however, subject to IPERS withholding.

Recommendation - We recommend that all such payments be included in the employee's and District's payroll records.

Response - We will do so.

Conclusion - Response accepted.